Financial Results Presentation for Q3/FY2024 (First Nine Months)

November 2024

KIYO Learning Co., Ltd.

Growth (Tokyo Stock Exchange): 7353

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Q3/FY2024 Earnings Highlights

Q3 Earnings	• Net sales were 3,357 million yen (up 18.3% YoY). Recovered from slow start in Q1 to return to high growth pace. • Operating profit was 157 million yen (up by 1222% YoY or 145 million yen). Full-year rate of progress is 112.4%. Secured higher-than-expected profits while also somewhat increasing forward-looking investments.
Studying Business	• Net sales were 2,953 million yen (up 15.1% YoY) to recover growth pace. • Cash-based sales recovered at a faster-than-expected pace from the sales decline associated with the Noto Peninsula earthquake in January. Q3 sales (July to September) were up by 18.4% YoY.
Corporate Education Business	• Net sales were 402 million yen (up 47.1% YoY), continuing a high rate of growth. • AirCourse corporate contracts increased to 859 clients, up 173 companies YoY. Maintained a low average turnover rate at 0.85%.
Full-Year Earnings Forecast	• Revised full-year earnings forecast (upward revision). • Revised net sales from previously announced 4,200 million yen to 4,450 million yen (up 250 million yen, 6.0%). • Revised operating profit from previously announced 140 million yen to 200 million yen (up 60 million yen, 42.9%). • Revised net income from previously announced 130 million yen to 200 million yen (up 70 million yen, 53.8%). • Our policy is to accelerate certain investments for future growth and human capital aiming for medium and long-term sales and profit growth, and to increase our corporate value.

Financial Results Presentation for Q3/FY2024

Q3/FY2024 Earnings (First Nine Months)

Sales were up 18.3% YoY to 3,357 million yen as the pace of growth recovered

Operating profit/losses improved significantly, up 145 million yen YoY to profit of 157 million yen

Net income/losses improved significantly, up 113 million yen YoY to income of 118 million yen

(million yen)

Category	Q3/FY2023 (Results)	Q3/FY2024 (Results)	FY2024 (Forecast)*	YoY change	Progress (%)
Net sales	2,839	**3,357**	4,200	18.3%	79.9%
Cost of sales	388	**449**	590	15.5%	76.1%
Gross profit	2,450	**2,908**	3,610	18.7%	80.6%
SG&A	2,438	**2,751**	3,470	12.8%	79.3%
Operating profit (loss)	11	**157**	140	1222.0%	112.4%
Ordinary profit (loss)	6	**154**	140	2381.0%	110.2%
Net income	5	**118**	130	2130.5%	91.3%

*FY2024 full-year earnings forecast figures indicate the previous forecast (earnings forecast announced on February 14, 2024) prior to these revisions

Sales by Business (First Nine Months)

The Studying Business pace of growth recovered as net sales were up 15.1% YoY

Corporate Education Business net sales were up 47.1% YoY as the business continued to record strong growth

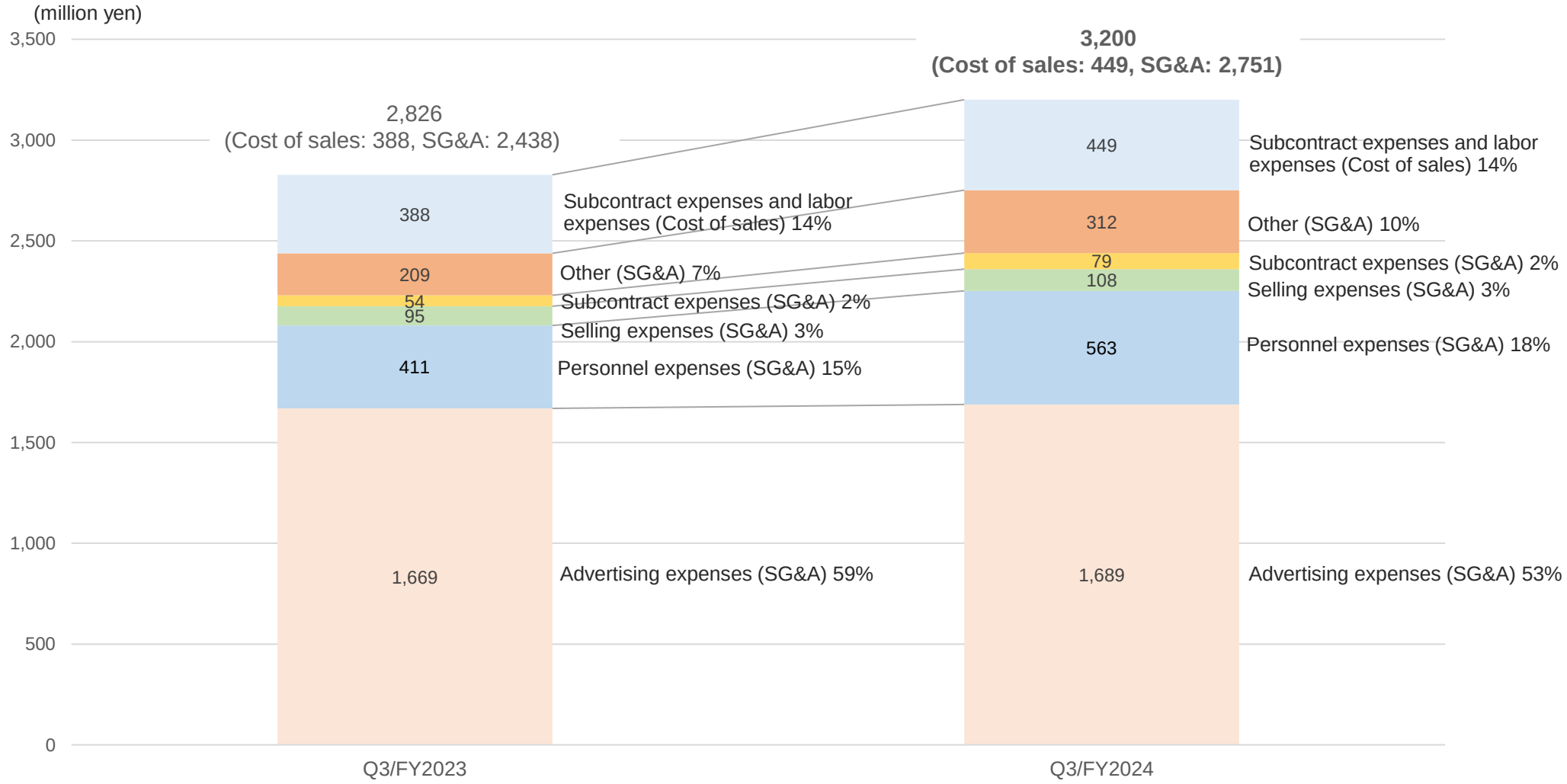
(million yen)

Category	Q3/FY2023 (Results)	Q3/FY2024 (Results)	FY2024 (Forecast)	YoY change	Progress (%)
Net sales	2,839	**3,357**	4,200	18.3%	79.9%
Studying Business	2,565	2,953	3,680	15.1%	80.2%
Corporate Education Business	273	402	520	47.1%	77.4%

Cost Structure (First Nine Months)

Increased hiring to secure the personnel needed to drive future growth

Improved ad efficiency in marketing activities enabled us to control increases in advertising expenses while still increasing sales



Q3 (July to September) Earnings

Q3 (July to September) sales were up 20.7% YoY to 1,371 million yen as the pace of growth recovered

Operating profit/loss improved significantly, up 216 million yen to profit of 355 million yen

By business, the pace of growth for the Studying Business recovered, increasing 18.6% YoY to 1,222 million yen

The Corporate Education Business maintained its strong growth, increasing 40.7% YoY to 148 million yen

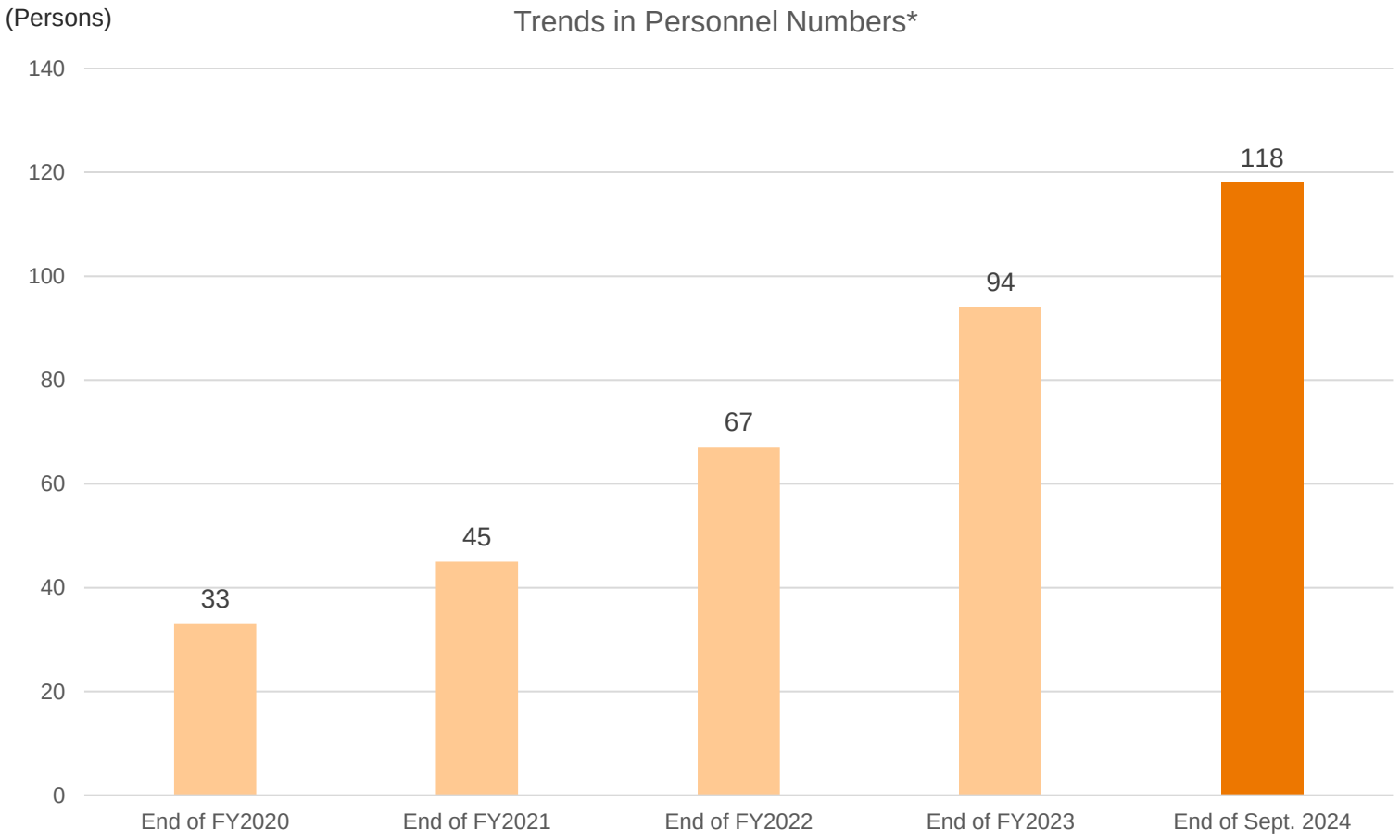
(million yen)

Category	Q3/FY2023 (July to September Results)	Q3/FY2024 (July to September Results)	YoY change
Net sales	1,135	**1,371**	20.7%
Studying Business	1,030	**1,222**	18.6%
Corporate Education Business	105	**148**	40.7%
Cost of sales	142	**167**	17.9%
Gross profit	993	**1,203**	21.1%
SG&A	855	**848**	-0.8%
Operating profit (loss)	138	**355**	156.4%
Ordinary profit (loss)	137	**354**	158.1%
Net income	137	**264**	92.6%

Trends in Personnel Numbers

We accelerated the execution of hiring plans for the current period as the pace of earnings growth recovered faster than initial assumptions

Personnel* increased by 24 people from the beginning of the period as we worked to establish a foundation for future growth by strengthening our organization



*Personnel: Total number of direct hires as of end of fiscal year (full-time, contract, and part-time employees)

Revisions to FY2024 Full-Year Earnings Forecast

Revisions to FY2024 Full-Year Earnings Forecast

The Studying Business saw a YoY decline in cash-based sales for January due to the impact of the Noto Peninsula earthquake in January 2024, which disrupted the typical New Year's sentiment trend towards acquiring qualification and lowered the efficacy of television commercials. However, the business later benefited from various measures, including efforts to strengthen marketing and the use of AI to enhance services. As a result, we forecast Studying Business earnings will significantly outperform initial assumptions

The Corporate Education Business also maintained a strong growth pace that outperformed assumptions thanks to efforts to strengthen sales, enhance content, and improve retention rates

As a result, we project net sales, operating profit, ordinary profit, and net income to all outperform initial forecasts

Revisions to FY2024 Full-Year Earnings Forecast (January 1, 2024 to December 31, 2024)

(million yen)

	Net sales	Operating profit	Ordinary profit	Net income	Net income per share (yen)
Previous forecast (A)	**4,200**	**140**	**140**	**130**	**19.13**
Revised forecast (B)	**4,450**	**200**	**200**	**200**	**29.30**
Change (B-A)	**250**	**60**	**60**	**70**	**—**
Change (%)	**6.0**	**42.9**	**42.9**	**53.8**	**—**
(Reference) Previous earnings (FY2023)	**3,798**	**136**	**140**	**112**	**16.52**

*The above forecasts are created using currently available information. Forecasts include various uncertainties, and actual results may vary compared to actual earnings

Current FY Management Policy to Reflect the Medium-Term Management Plan 2026

- The Medium-Term Management Plan 2026 targets sales of 5,800 to 6,400 million yen (152 to 168% compared to 2023) and operating profit of 350 to 480 million yen (257 to 352% compared to 2023) in FY2026. (Announced February 14, 2024)
- As FY2024 earnings trended above initial forecasts, this fiscal year we are executing certain investments originally planned for FY2025. Our policy will be to increase the probability of achieving the Medium-Term Management Plan 2026 while aiming to increase corporate value by pursuing as much sales and profit growth as possible.
- As indicated on the previous slide, the newly set operating profit target for FY2024 will be 200 million yen, and we plan to allocate any profit exceeding that amount towards forward-looking investments for next fiscal year. Our main forward-looking investments and investment goals are as outlined below.
  - Increase advertising expenses to capture new users and increase cash-based sales
  - Accelerate personnel recruitment to increase human capital ahead of next fiscal year's efforts to strengthen our organization, including product development, sales, and marketing
  - Increase profits next FY by accelerating investments originally planned for next year

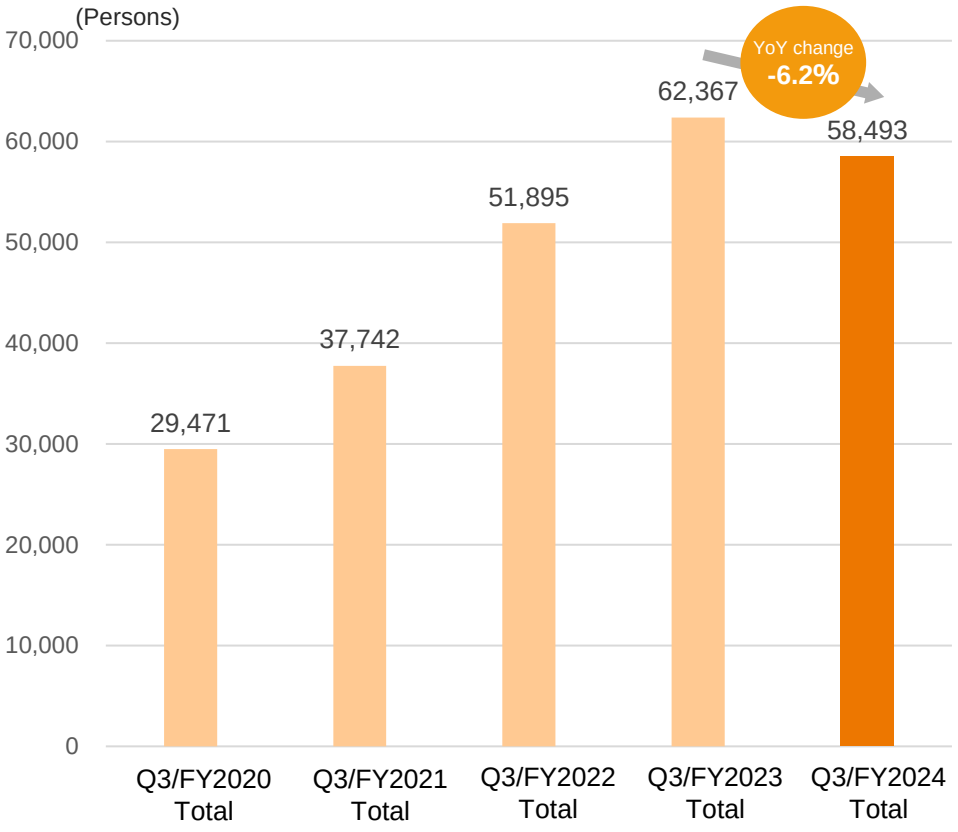
KPI and Topics by Business

Studying Business | KPI (Comparison of First Nine Months)

Cash-based sales*2 recovered from the sales decline following the Noto Peninsula earthquake in January faster than expected, with the cumulative growth pace for the first nine months increasing by 7.1% YoY

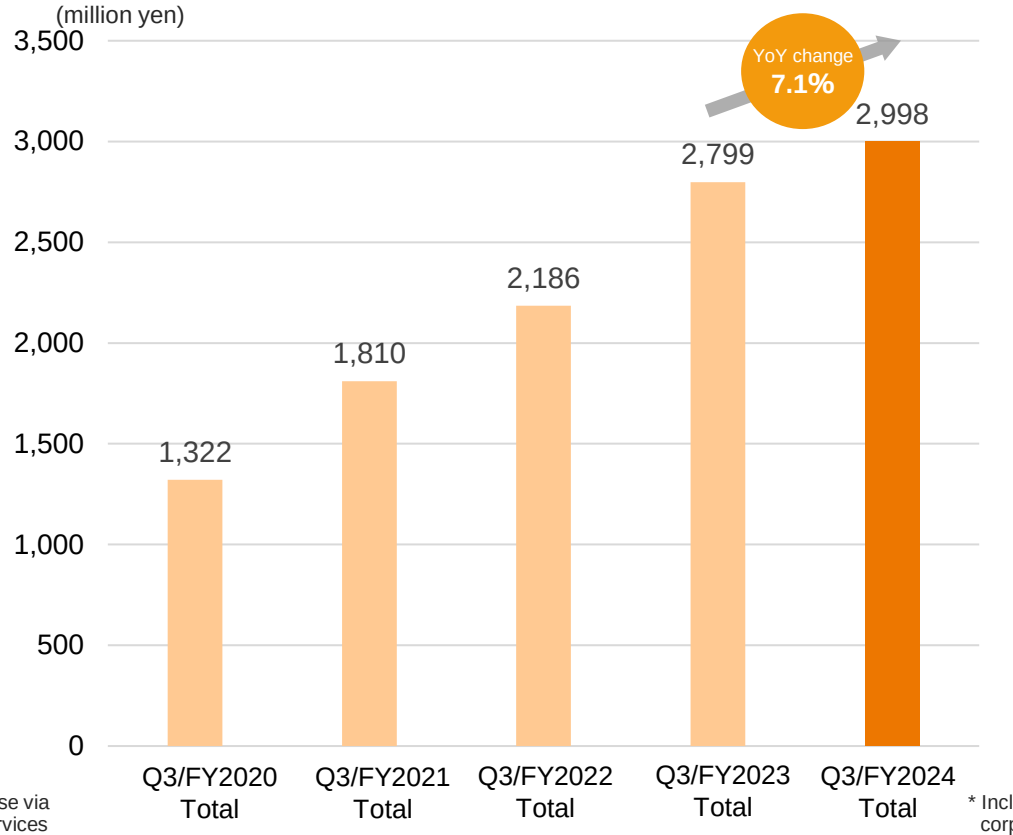
The number of new paid members*1 declined in January due to the impact of the aforementioned earthquake. However, member numbers recovered gradually thanks to the implementation of promotional measures

Number of New Paid Members



* Including those via corporate services

Cash-based Sales



* Including those via corporate services

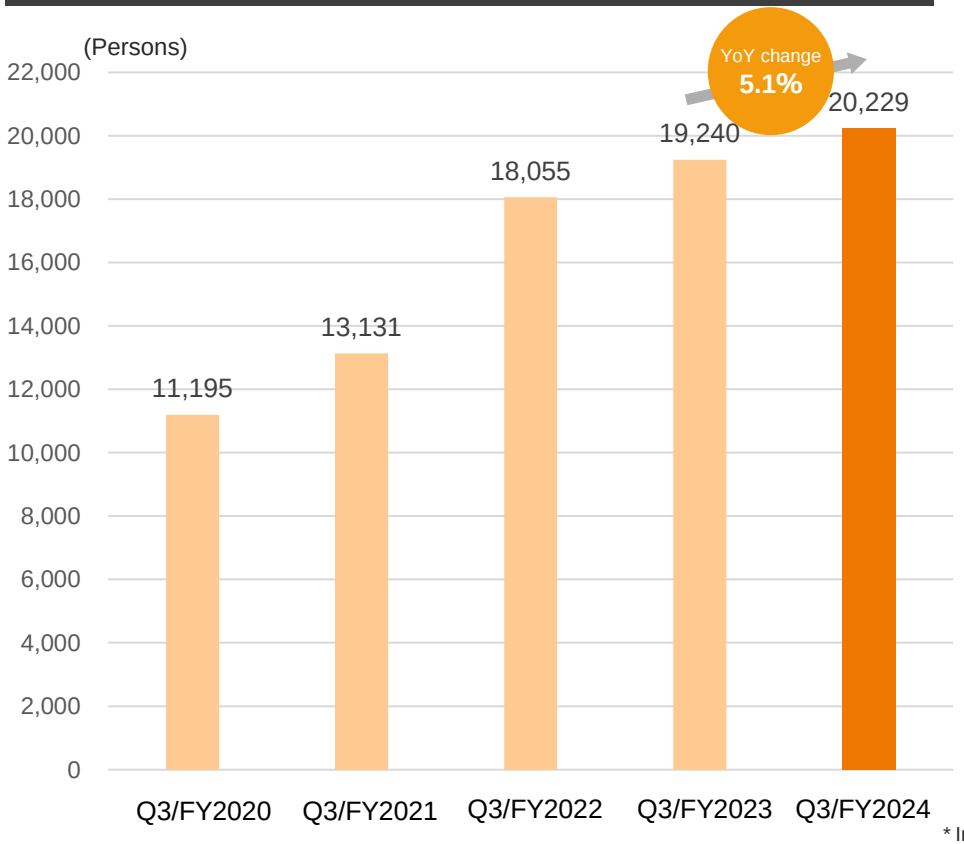
1. The number of new paid members refers to the number of new (unique) paid members acquired during the period
2. Cash-based sales refers to order amounts during the period (net sales are apportioned across periods over the periods of the corresponding courses taken)

Studying Business | KPI (Comparison of Q3 Results (July to September))

Cash-based sales*2 recovered from the sales decline following the Noto Peninsula earthquake in January faster than expected, with the Q3 (July to September) growth pace 18.4% YoY

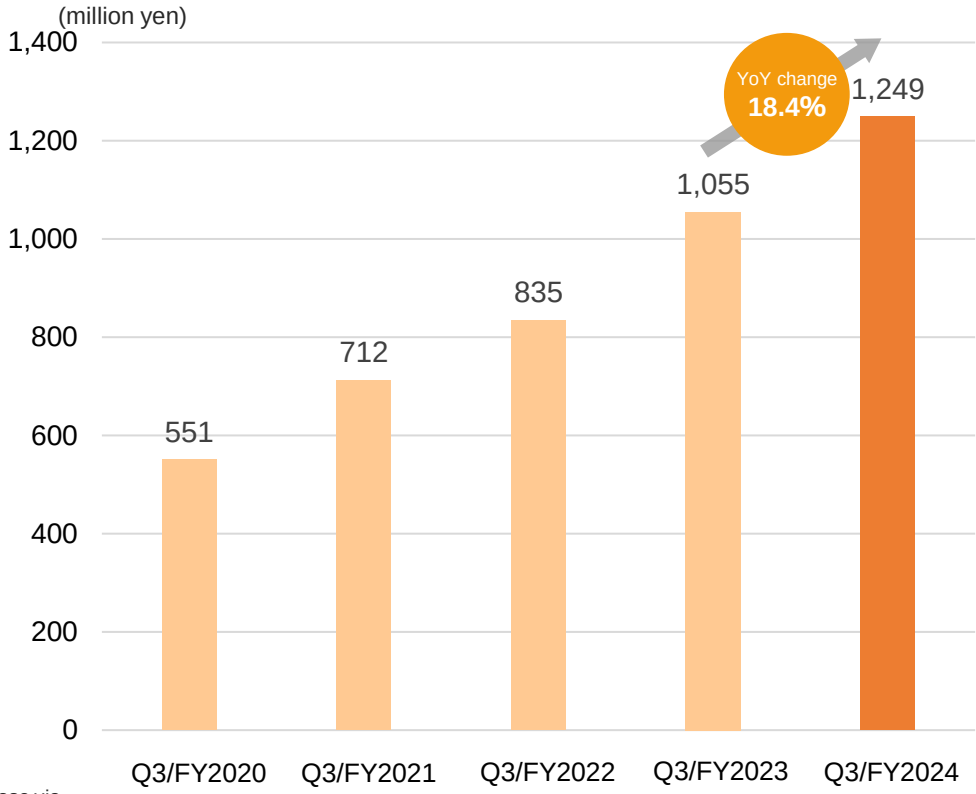
The number of new paid members*1 declined in January due to the aforementioned impact but recovered thanks to promotional measures as Q3 (July to September) numbers increased by 5.1% YoY

Number of New Paid Members



* Including those via corporate services

Cash-based Sales

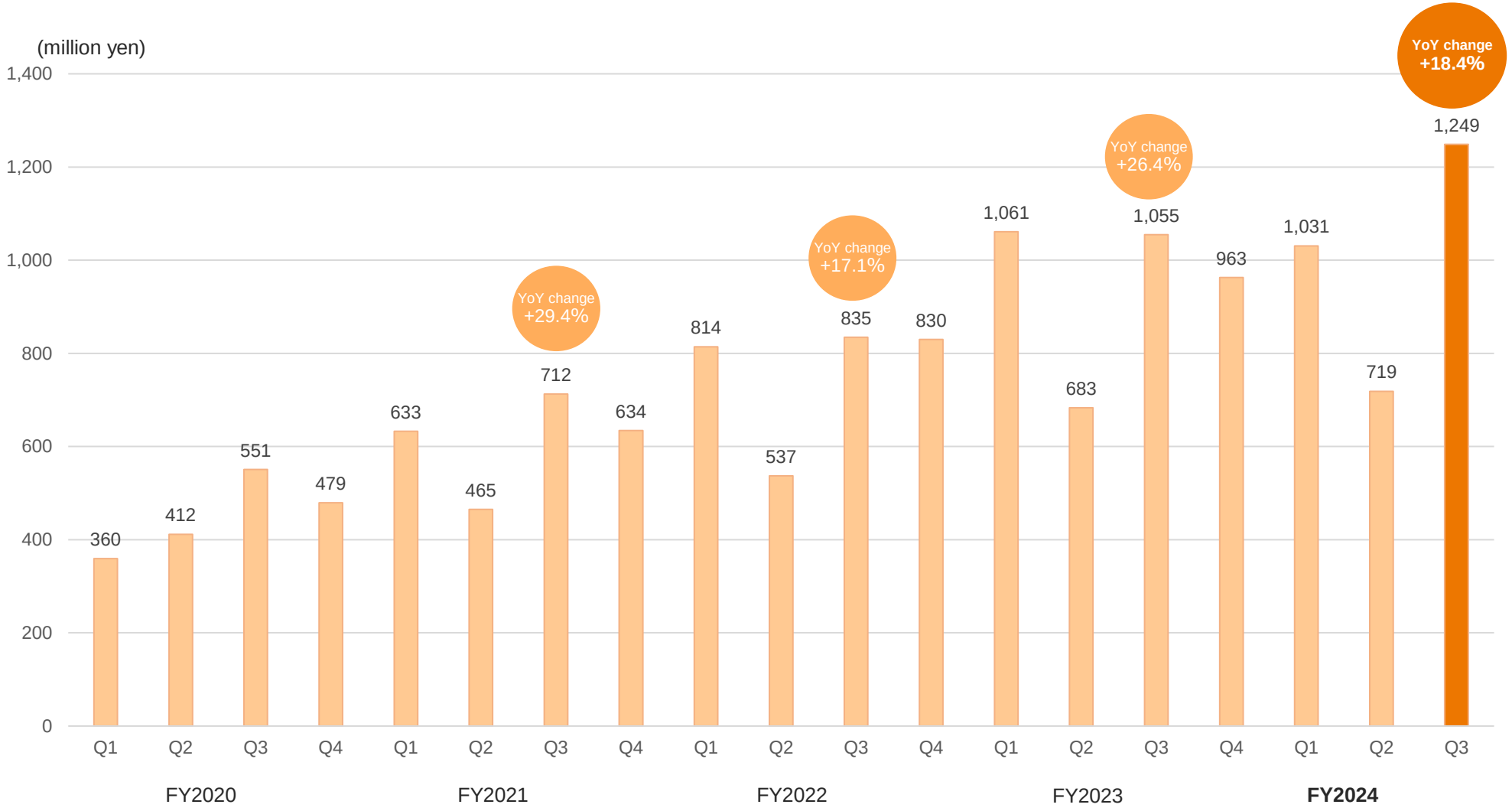


* Including those via corporate services

1. The number of new paid members refers to the number of new (unique) paid members acquired during the period
2. Cash-based sales refers to order amounts during the period (net sales are apportioned across periods over the periods of the corresponding courses taken)

Studying Business | Quarterly Trends in Cash-based Sales

Cash-based sales recovered from the sales decline following the Noto Peninsula earthquake in January faster than expected, with the Q3 (July to September) growth pace 18.4% YoY



*Percentages (%) indicate growth rate when compared to Q3 net sales from each period (including sales via corporate services)

Studying Business | Quarterly Trends in Sales and Profit

The following indicates quarterly trends in sales and profit during a typical year

We record sales on a cash basis at the time a course is purchased

Cash-based sales are apportioned evenly each month as accrued sales through to the end of the purchased course

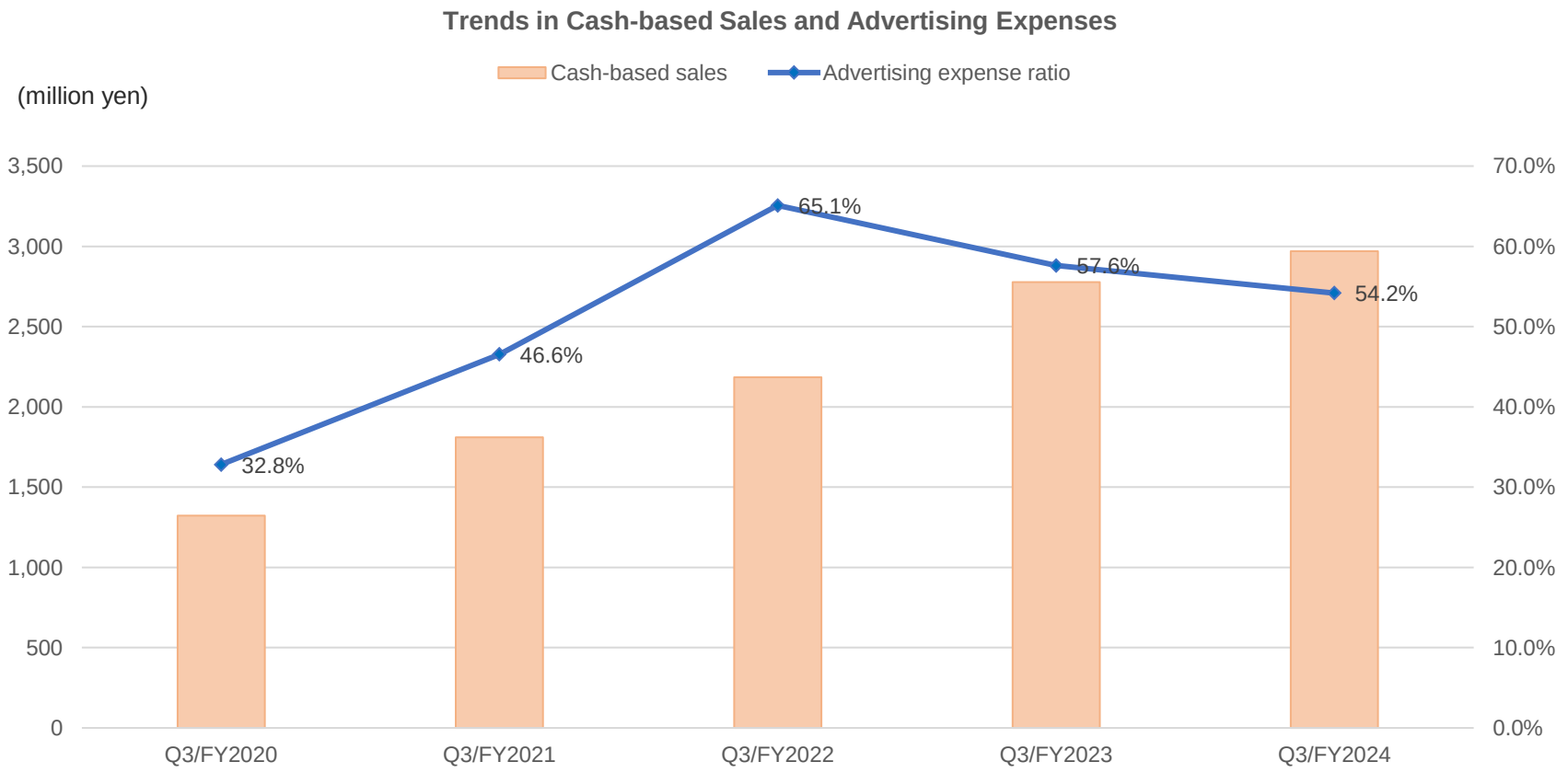
As such, the percentage of the accrued sales in a given fiscal year decreases towards the latter half of the fiscal year

	Q1 (Jan. to Mar.)	Q2 (Apr. to Jun.)	Q3 (Jul. to Sept.)	Q4 (Oct. to Dec.)
Trends for our courses	Many people begin learning with aim of acquiring qualifications	Few test days	Most frequent test days for difficult qualifications	Somewhat frequent test days
Cash-based sales	Sales high at the beginning of the year, then subsequently slightly low	Trending slightly low due to being immediately before tests for difficult qualifications	Immediately following tests, an increase in new course and renewal course purchases for next year's tests	Strong purchase demand for courses for next year's tests
Accrued sales	Since cash-based sales are apportioned over the long term, contributions from accrued sales tend to be minor	Cash-based sales trend downward, but apportioned accrued sales trend upward	Due to a concentration of deadlines for major courses, current fiscal year contributions from apportioned accrued sales increase	Since most cash-based sales are apportioned to the following fiscal year, current fiscal year contributions from accrued sales decrease
Profit trends	Poor	Middling	Great	Good
Percentage of quarterly cash-based sales recorded as accrued sales (full-year) (average for past fiscal years)	75 to 85%	70 to 80%	40 to 50%	15 to 25%

*The above reflects an average range for past fiscal years. Trends may differ in the future

Studying Business | Advertising Expense Ratio (Comparison of First Nine Months)

Despite launching TV ads in Q1, cash-based sales were sluggish at the beginning of the year due to the impact of factors such as the previously mentioned Noto Peninsula earthquake. As a result, the advertising expense ratio* increased YoY. However, Q3 cumulative (first nine months) advertising expense ratio decreased YoY thanks to growth in cash-based sales during Q2 and Q3, and efforts to optimize marketing activities

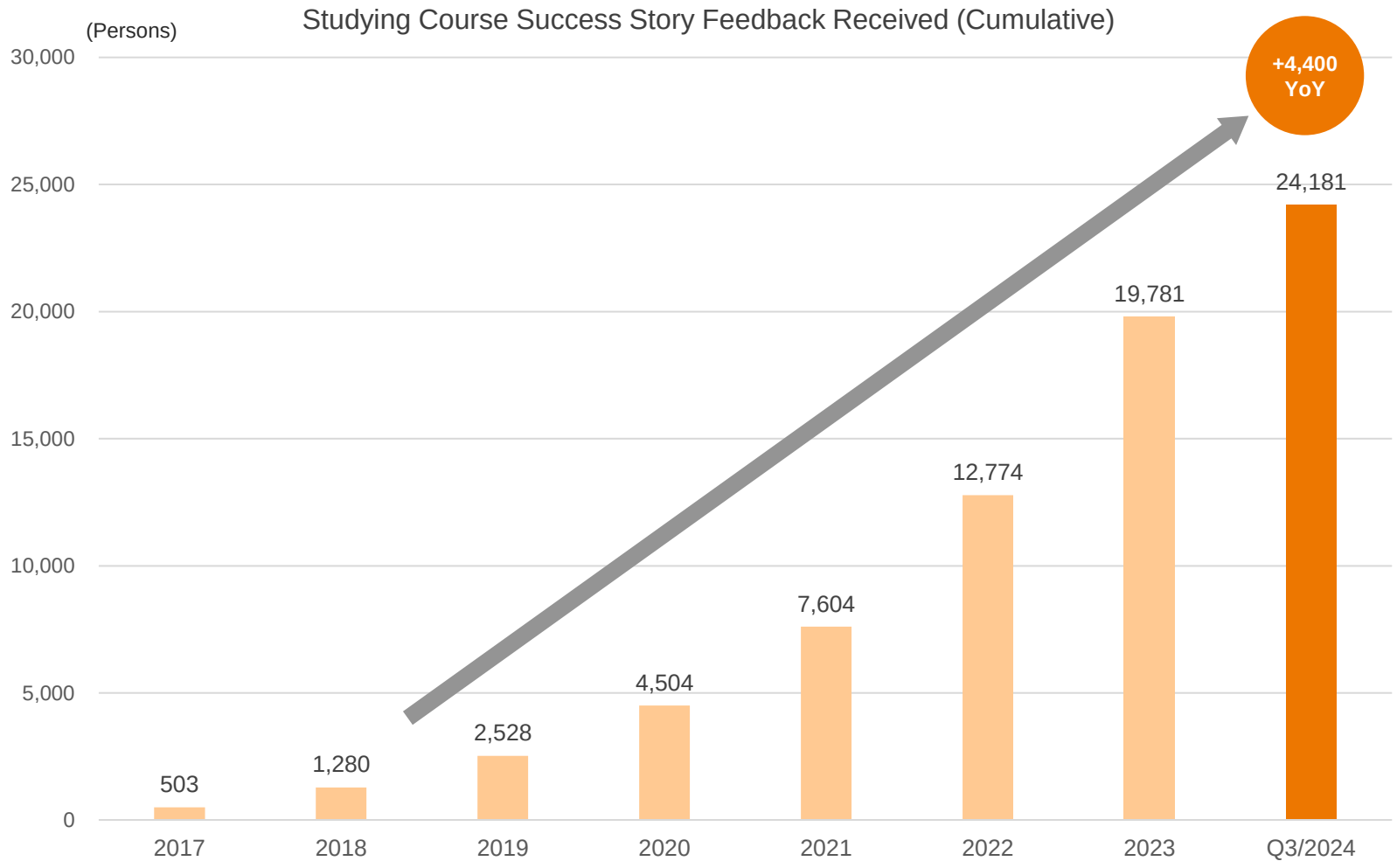


*Advertising expense ratio = (Advertising expenses incurred in the Studying Business) ÷ (Cash-based sales)

Studying Course Success Stories Received (Cumulative)

Success story feedback increased by 4,400 people YoY to 24,181 people (as of the end of September)

The increase in success story feedback promotes a sense of security and increased brand recognition. This creates a virtuous cycle that promotes higher student numbers and even more success stories



*Total number of respondents to post-test surveys

Studying Business | Increasing Brand Recognition Through TV Ads

Continued promotions using TV ad featuring Haruna Kawaguchi as the main character since January 2023

Aiming to capture majority segments and secure medium- to long-term growth by promoting and increasing our brand recognition as a partner for certification success



*Reference: 2024 [Studying] Built In Success Assist, 30 second TV ad: https://www.youtube.com/watch?v=z8MLp7RoECY
2024 [Studying] Built In Success Assist, 15 second TV ad: https://www.youtube.com/watch?v=VP28N8rKfAE

Studying Business | Enhancing Course Lineup

Launched the programming course Studying Tech as well as a Day Care Provider course and a Civil Servant Day Care Provider course (October)

Offering a broad lineup of over 36 certification courses, ranging in difficulty from easy to hard

Business / Management

- Small and Medium Enterprise Management Consultant
- Professional Engineer
- Sales Professional
- Hazardous Materials Engineer
- Mental Health Management® Certification
- Consultant Training Course

IT

- IT Passport
- Basic Information Technology Specialist
- Applied Information Technology Specialist
- IT Strategist
- Information Security Management
- Database Specialist
- Studying Tech

Law

- Bar Examinations and Preliminary Examinations
- Judicial Scrivener
- Administrative Scrivener
- Labor and Social Security Attorney
- Patent Attorney
- Japan Business Law Examination®
- Intellectual Property Management Skills Test®
- Personal Information Protection Officer

Civil Servant

- Civil Servant
- Civil Servant Day Care Provider

Accounting and Finance

- Certified Public Tax Accountant
- Bookkeeper
- FP
- Securities Broker Representative
- Loan Officer

Language

- TOEIC® TEST Preparation

Real estate

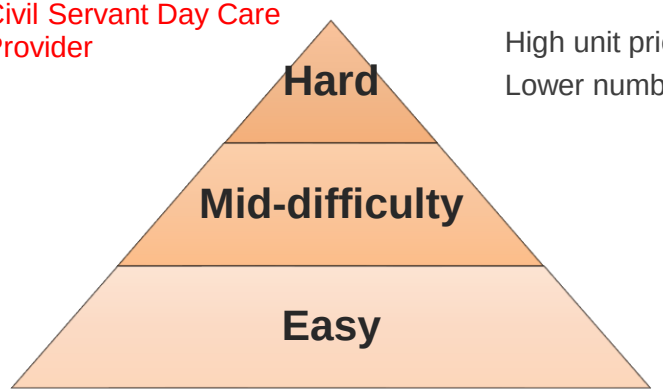
- Real Estate Broker
- Registered Architect
- Licensed Strata Management Consultant/ Building Manager
- Certified Property Manager

Medical

- National Nurse Examination
- Registered Distributor

Welfare

- Day Care Provider



High unit price: High per-course revenue
Lower number of students

Step up beginning with easy certifications

Low unit price: Low per-course revenue
Higher number of students

Studying Business | Studying Tech Course

Launched Studying Tech programming course (October)

The basic plan features free unlimited viewing of various programming learning videos, including popular topics such as Python and generative AI. We also offer a paid plan with instructor support

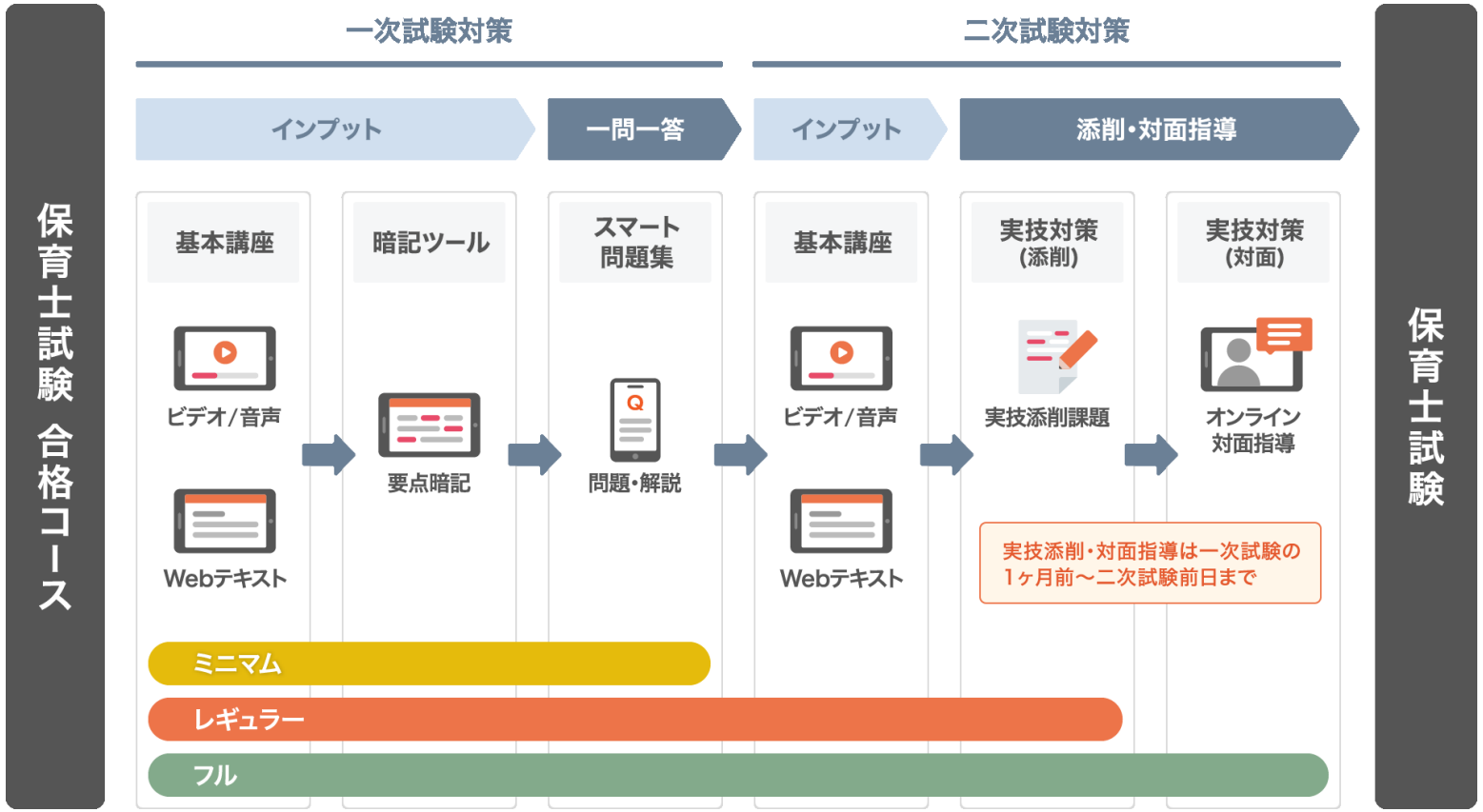


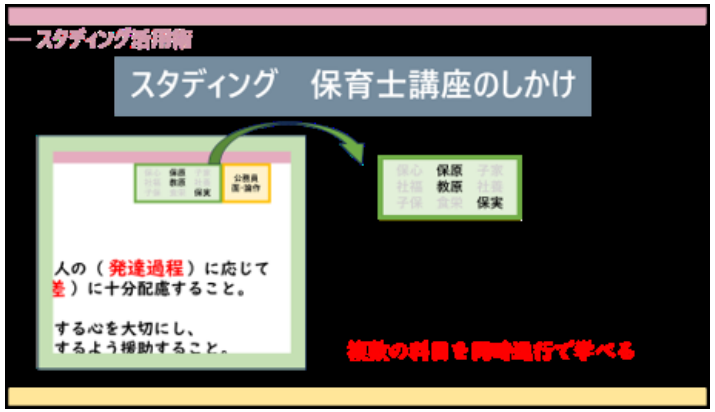
Studying Business | Day Care Provider Course and Civil Servant Day Care Provider Course

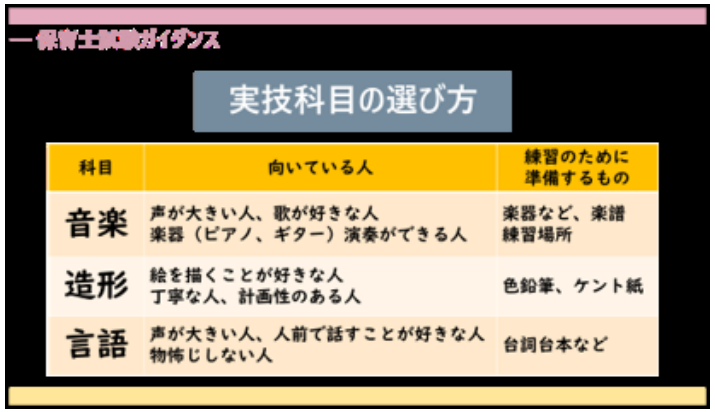
We launched a Day Care Provider course and Civil Servant Day Care Provider course (October)

Featuring video lectures that make extensive use of illustrations and animations to promote understanding of specialized knowledge and actual movements more easily than with book learning and in a shorter amount of time. The AI problem review function allows learners to review problems at the optimal timing for each individual, making it possible to efficiently address areas of weakness

This allows busy adult learners to prepare for tests by using their smartphones for online learning in their free time







Studying Business | "AI Grading‘’ Correction Function for Writing Tests Using Generative AI

Released a new "AI Grading" function that uses generative AI to correct student answers individually for written exams, which are considered difficult to prepare for (August)

Further enhances support for efficient learning for busy students who lack time by providing instant correction that never stops learning and a repeated correction function that is possible only with AI

Adopted for the Small and Medium Enterprise Management Consultant course and Administrative Scrivener course, with plans to gradually expand to other courses



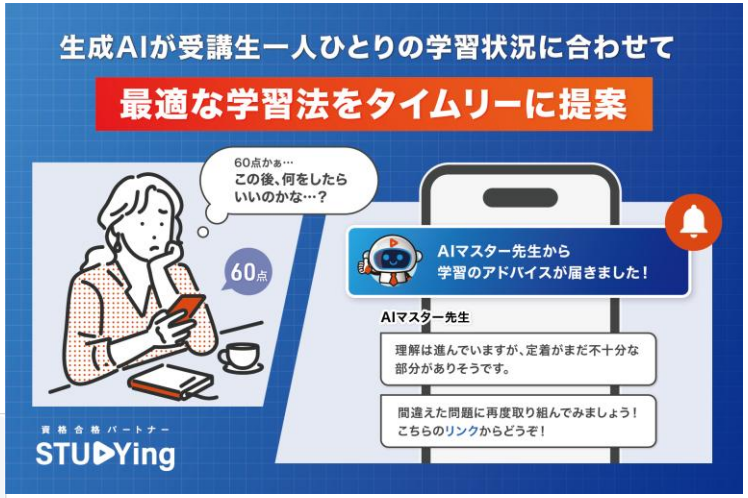


Studying Business | AI Master Teacher Using Generative AI

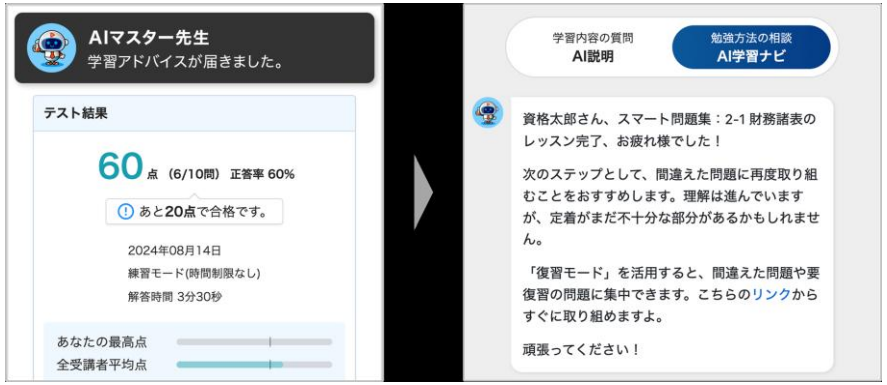
In addition to the AI Explanation function where an AI Master Teacher answers questions, we newly released an AI Learning Navigation function that provides timely suggestions on how to proceed according to the student's individual progress (September)

The AI Explanation function provides highly reliable answers based on the content of Studying Business courses and adds the knowledge of generative AI (GPT model) to return answers in greater detail to promote smooth learning by eliminating unclear points for the learner. Additionally, the AI Learning Navigation function comprehensively and continuously supports efficient learning by providing learning method advice tailored to each student's progress









Studying Business | Individually Optimized Learning Through AI

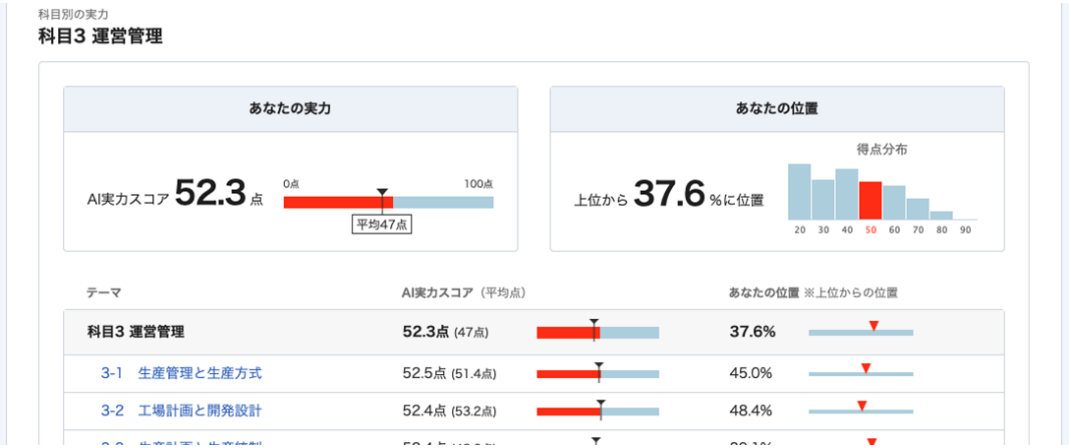
We are gradually incorporating the AI Competency Score function into each course, starting with the Registered Distributor course (May)

This function enables efficient learning by helping learners identify their current strengths and weaknesses in real-time

AI Competency Score (Patent No. 7021758)*

AI predicts the current exam score based on a vast amount of learning history data and learner performance history we possess
Scores increase with study time, increasing motivation towards learning and increasing study time and retention rates





*The AI Competency Score function is currently available for the following 14 courses, and we plan to expand applicable courses over time

- Small and Medium Enterprise Management Consultant
- Real Estate Broker
- Labor and Social Security Attorney
- IT Passport
- Applied Information Technology Specialist
- Basic Information Technology Specialist
- Bar Examinations and Preliminary Examinations
- Japan Business Law Examination®
- Registered Architect Level 1
- Bookkeeping Level 3/Level 2
- Patent Attorney
- Judicial Scrivener
- FP Level 3/Level 2
- Registered Distributor

Studying Business | Individually Optimized Learning Through AI

The AI Study Plan function uses AI to create a study schedule for each student that results in the highest predicted exam scores

The AI Question Review function uses AI to submit review questions at the optimal time based on the individual student's comprehension level

AI Study Plan (Patent No. 6661139)



■ AI-generated study plans facilitate efficient study and help students pass exams

With conventional certification courses, decisions on when, what, and how long to study are left up to the student. This method forces the student think about their study schedule and manage their daily progress. AI Study Plan creates a plan that is expected to result in the highest predicted exam score for each student.

Students are provided with daily study topics based on this study plan to help them to study efficiently.

AI Question Review (Patent No. 7112694)



■ AI automatically sets the next review date for each question based on individual comprehension level

Incorrect answers or questions that are answered correctly but seemed difficult are repeated at shorter intervals since the student's comprehension level is still low. Questions considered easy are repeated less frequently.

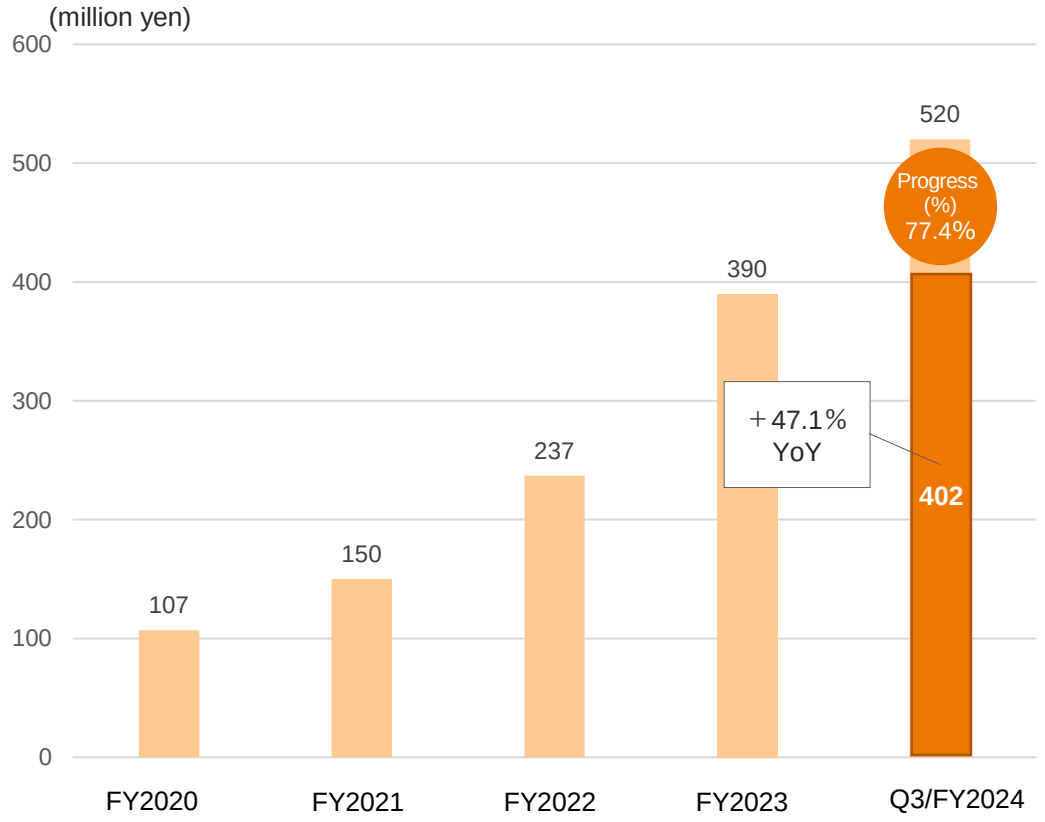
Spending less time on easy questions and more time on incorrect or difficult questions allows students to improve their skills more efficiently and in a shorter period of time.

Corporate Education Business | KPI (Comparison of First Nine Months)

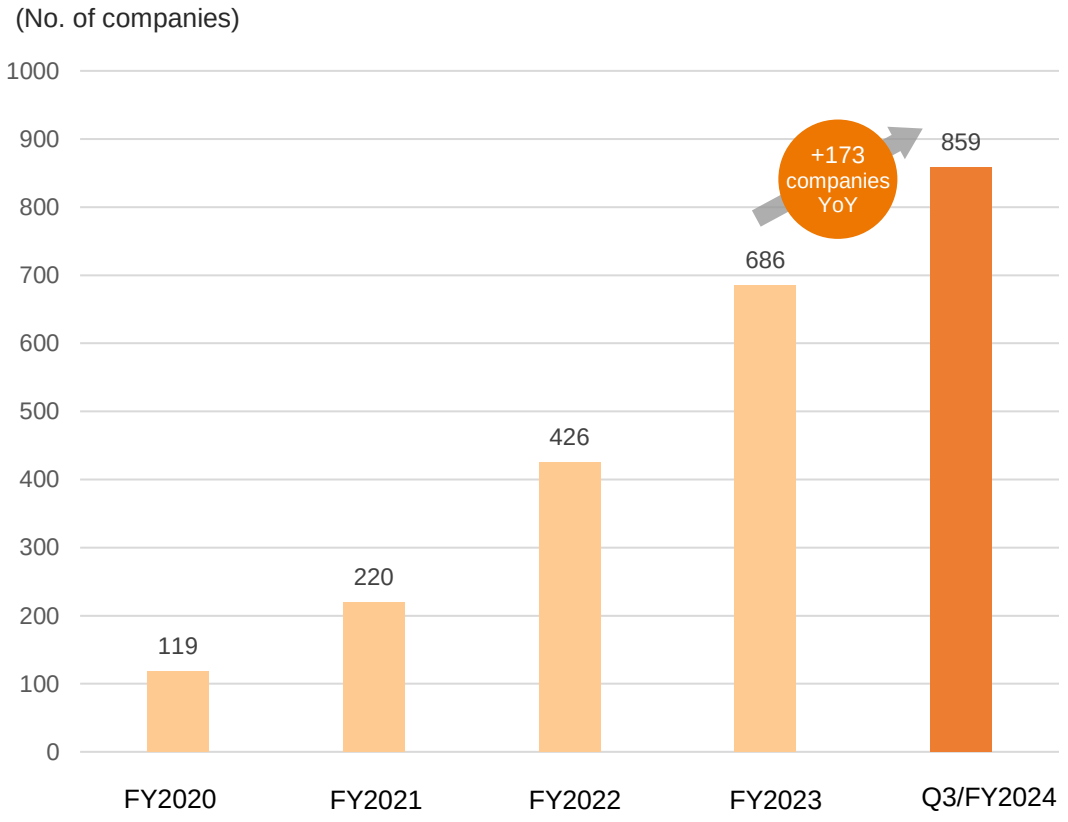
Corporate Education Business net sales were up 47.1% YoY to 402 million yen as the business continued to record strong growth

AirCourse corporate contracts increased to 859 clients, up 173 companies YoY

Corporate Education Business Sales



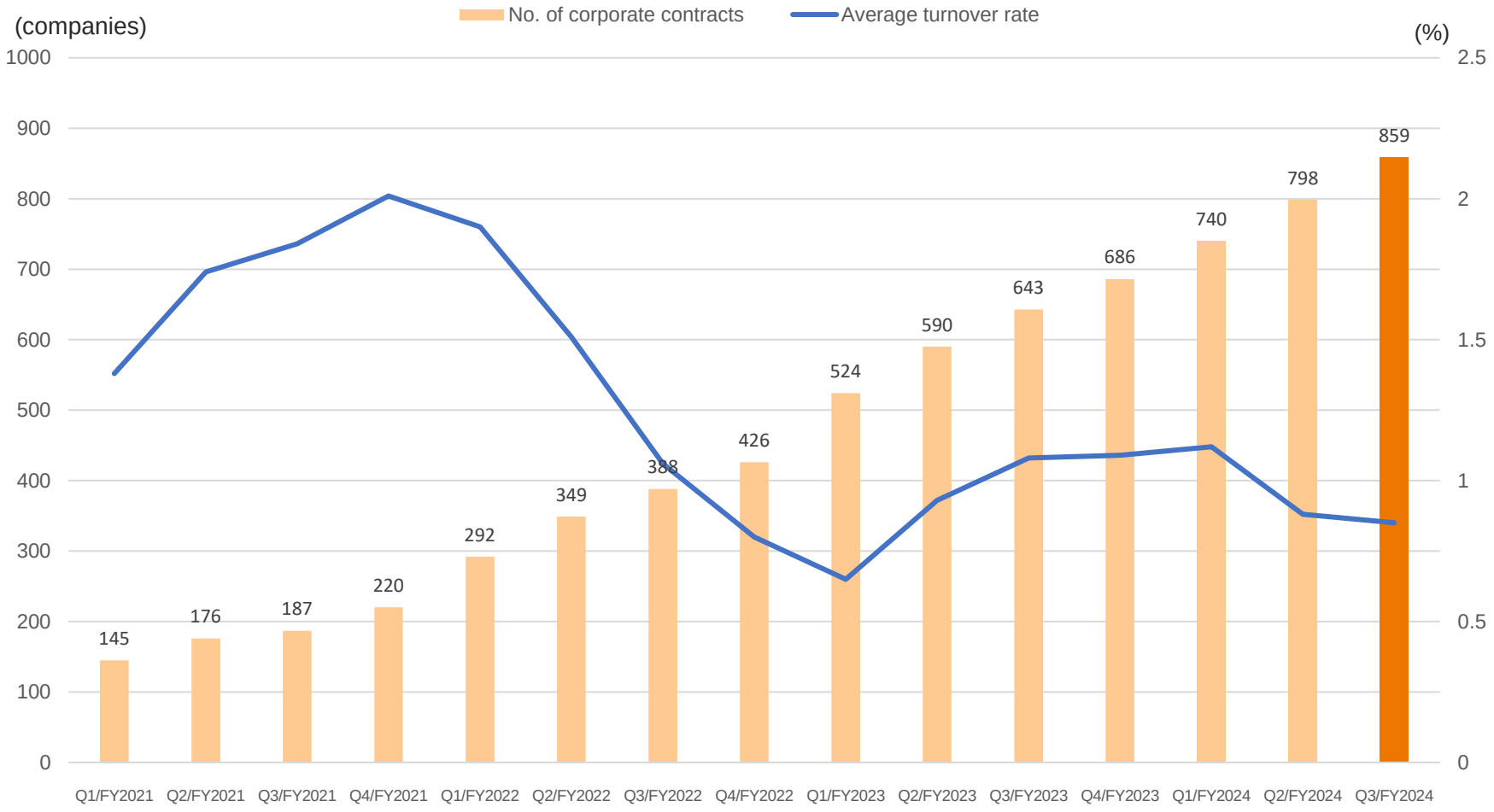
AirCourse Contracted Companies



Corporate Education Business | Quarterly Trend in Contracted Companies/Average Turnover Rate

AirCourse corporate contracts increased to 859 clients, up 173 companies compared with the end of the previous fiscal year

AirCourse maintained a low average turnover rate* at 0.85% for Q3/FY2024
We will strengthen customer success initiatives to increase retention rates and promote upsells



*The average turnover rate is calculated by taking the monthly stock sales for AirCourse (monthly sales minus spot sales) and determining the rate of decrease from the previous month to the current month due to turnover(= monthly cancellation rate), and averaging these results over a full year

Corporate Education Business | Accelerating Growth Driven by Increasing Major Accounts

Increase in orders from large enterprises and increased system use after adoption. Spanning a wide range of industries

Training based on successful case studies promotes the accumulation of knowhow related to employee training and increases in impact of case study-based sales activities

Example of Companies Using AirCourse (no particular order)

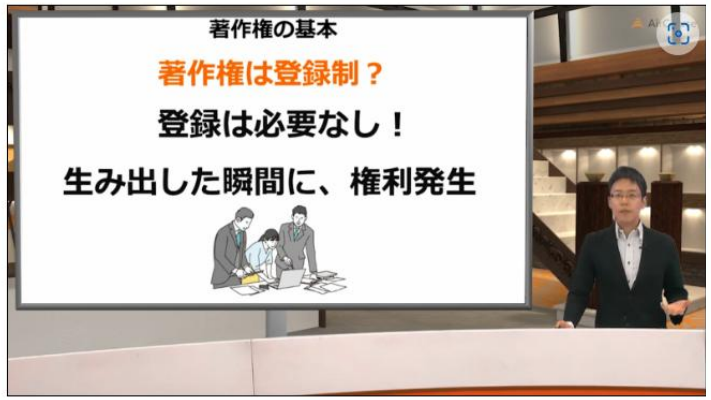


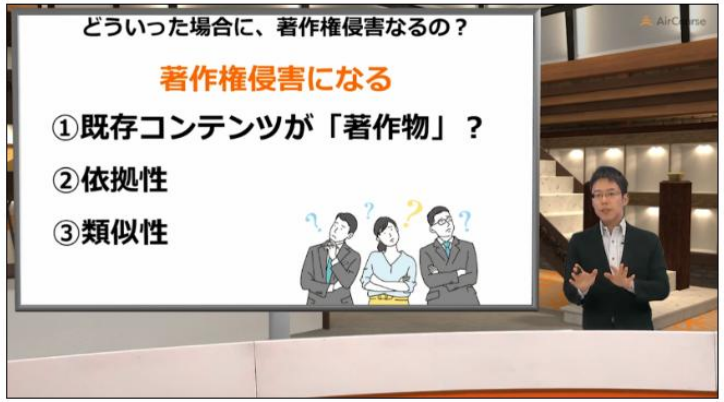
Example of Companies Using STUDYing (no particular order)



Corporate Education Business | Major Expansion of Standard Courses

We expanded the number of All-You-Can-Learn courses we offer by 181 YoY to 983 courses as of the end of September 2024
We strengthened our course lineup to meet corporate needs, including digital transformation (DX) and compliance courses

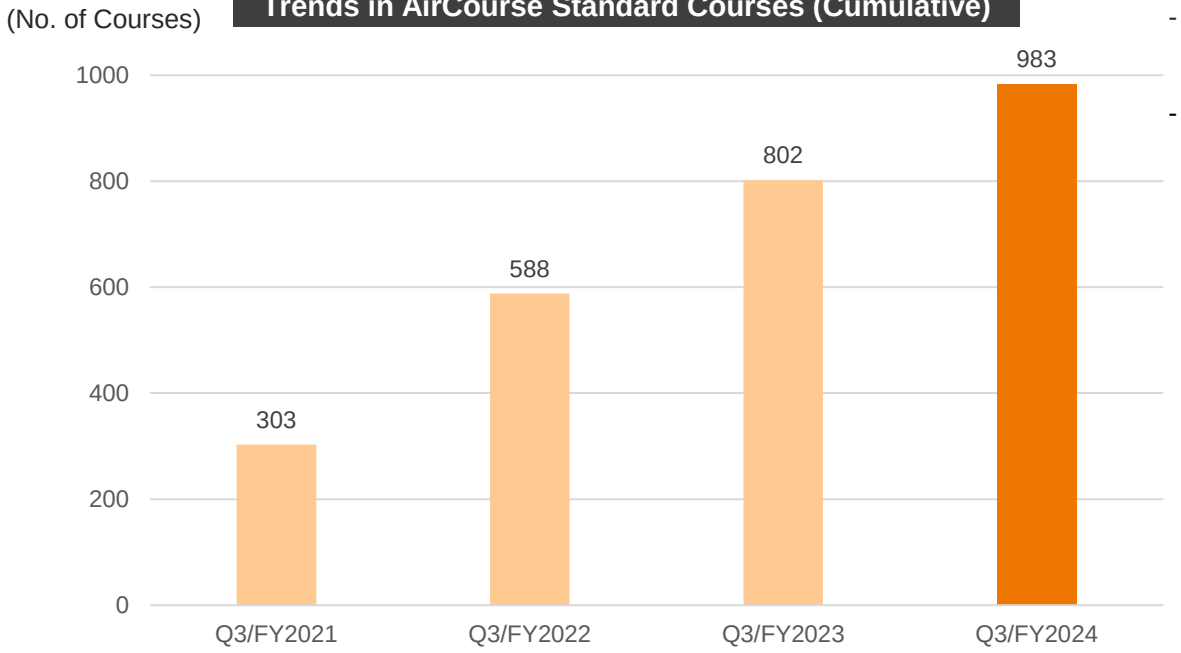




Not knowing is not an excuse! Copyrights (Total of 4 courses)

(1) Copyright Basics
(2) Copyright “Citation”
(3) What's needed to receive copyright transfer
(4) Key points when citing images

Trends in AirCourse Standard Courses (Cumulative)

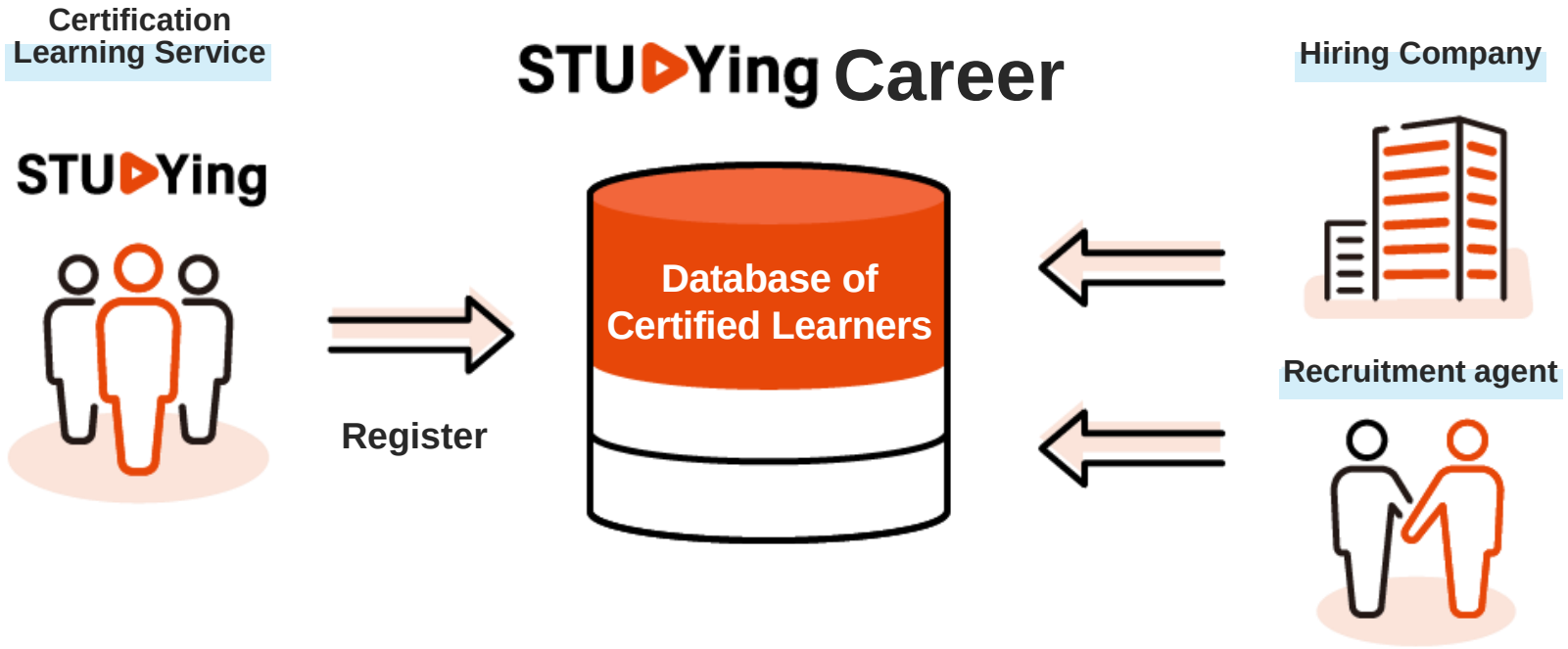


- A more than 3x increase in courses offered over a three-year period
- Expanding course lineup to include IT, management, an MBA series, DX-related, GPT, legal compliance, and more

New Business Development | Studying Career

We support lifelong careers by offering e-learning for certification exams as well as job search assistance

We provide matching services by leveraging our network of individual Studying members and Corporate Education Business members



<Benefits for Job Seekers>

- Candidates can leverage certifications to change jobs
- Direct contact from hiring companies and recruitment agents
- Video content that answers questions about job search activities

<Benefits for Employers>

- Only cost is a contingency fee paid at the time of hiring
- A human resources database that attracts people with proven qualifications and a high motivation to learn
- Supported by the Studying Business, which has more than 350,000 leaners

New Business Development | AirCourse AI Knowledge

Easy to use generative AI service for corporations

Organizational support for generative AI, which will become a valuable tool as companies embrace human capital utilization

AirCourse AIKnowledge

Generative AI service designed for companies to adopt with confidence and ensure ease of use by employees, even first-time users

Knowledge sharing function that allows users to share the knowledge gained through the use of generative AI within the company

Four Features



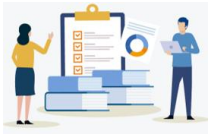
Safe and Secure

No internal data used in AI training



Easy for Anyone to Use

Over 150 prompt templates included



Knowledge Retention and Sharing

Knowledge gained using generative AI (summaries of meeting minutes and other output results) can be saved and shared



Usage monitoring

Usage monitoring of generative AI, etc.

Establishment of Employee Stock Ownership Program

Establishment of Employee Stock Ownership Program

- Purpose of establishment

The purpose is to reduce the risk of insider trading by having employees acquire and hold company shares, which will increase employee sense of participation in management, promote a sharing of value with shareholders, and encourage employees to work to further improve corporate value. This will also secure stable demand for the purchase of our stock, contribute to increased trading volume, and improve liquidity in the stock market. We also aim to provide incentives and enhance our employee welfare system.

- Overview of Employee Stock Ownership Program

(1) Name	KIYO Learning Employee Stock Ownership Program
(2) Enrollment qualifications	Must be an employee of KIYO Learning (includes executive officers)
(3) Start period	Planning to start contributions from November 2024
(4) Contribution amount	With 1 unit as 1,000 yen, up to a maximum of 50 units (Up to 100 units for executive officers)
(5) Company's contribution rate	15% of employee contribution amount (10% for executive officers) *Limited to enrollment, the contribution rate shall be 100% for the three-month period from the initial month of contribution. (executive officers not eligible)